



1974 Annual Report

The Goodyear Tire & Rubber Company of Canada, Limited

The Goodyear Tire & Rubber Company of Canada, Limited

1974 Annual Report



Contents

- 2 Letter to Shareholders
- 4 Directors and Officers
- 6 Financial Review
- 11 Goodyear People
- 12 Tire Division
- 14 General Products Division
- 16 Goodyear Pictorial

Running on Goodyear's revolutionary low-pressure cordless tires, an all-terrain vehicle sloshes its way through the swampland of Northern Ontario.

To the shareholders of The Goodyear Tire & Rubber Company of Canada, Limited

We are pleased to submit the company's financial statements for the year ended December 31, 1974. Consolidated net sales were \$280,926,000 compared with \$239,988,000 in 1973. This represents an increase of 17.1 per cent and, once again, establishes a new record.

Consolidated net income was \$7,701,000, which represents a decrease of 22.1 per cent from the \$9,883,000 that was achieved in 1973.

Consolidated net income per outstanding share of common stock was \$2.91, compared with \$3.76 in 1973.

Dividends paid in 1974 were \$0.60 per share of common stock, the same as in 1973. Dividends of \$2.00 per share were paid on the 4 per cent preferred stock.

Taxes and duties amounted to \$30,099,000, or \$11.70 per common share, versus \$23,858,000, or \$9.27 per common share in the previous year.

Total compensation paid to employees, together with pension, hospitalization, group insurance and related benefits, was \$74,864,000, down 4.9 per cent from \$78,728,000 in 1973.

Capital expenditures totalled \$31,225,000; depreciation amounted to \$6,010,000.

The year 1974 was marked by a series of labor disputes which culminated in prolonged strikes at the Bowmanville and Toronto plants. These costly disruptions, and the resulting necessity to import large quantities of tires, had a marked effect on the profit performance. It is a credit to our organization

that it was possible to satisfy most of our customers' needs and, at the same time, minimize the decline in profitability.

The expansion of the Valleyfield plant proceeded at a slow pace because of late deliveries of equipment, shortages of materials, and a multitude of labor problems in the construction industry. The expansion, which includes new facilities for the manufacture of radial passenger and truck tires, will be completed in 1975.

The company continued to update its marketing programs and to strengthen its network of retail stores and franchised Tire Centres. It also created stronger ties with its independent dealers to help them improve service to the Canadian public.

Two new members were elected to the company's board of directors at the annual shareholders' meeting in April. They are Charles J. Pilliod Jr. and John H. Gerstenmaier, respectively board chairman and president of The Goodyear Tire & Rubber Company of Akron, Ohio. They succeed Russell DeYoung, former chairman, and Richard A. Jay, vice-chairman of The Goodyear Tire & Rubber Company of Akron. At the same meeting, the shareholders approved a reduction in the number of directors from 11 to nine.

As a result of negotiations authorized by the board in November, The Kelly-Springfield Tire Company of Canada Limited of Mississauga, Ontario, was purchased from The Kelly-Springfield Tire Company of Cumberland, Maryland. The acquisition became effective January 1, 1975.

As expected, 1974 was a year of problems and opportunities. I am proud to state that our people were equal to last year's many challenges and performed admirably under most trying circumstances.

We look to 1975 as a year of uncertainties, as we expect continued inflation and a temporary downturn in the Canadian economy. The outlook for the

immediate future is not encouraging but I am confident that, by being alert and imaginative, we can soften the impact of a short-term business decline and capitalize on the opportunities which will come with the subsequent recovery.

Our objectives remain: to further the interests of our shareholders, to strengthen our position in the Canadian market, and to raise our already high standards of product quality.

I know we can count on the support and cooperation of all dealers and employees for the achievement of these goals.

With the approval of the board of directors,



H. G. MacNeill
President and chief executive officer
February 12, 1975



The Goodyear Tire & Rubber Company of Canada, Limited

3050 Lake Shore Blvd. West, Toronto, Ontario M8V 1K4

Sales District Offices

Moncton

New Brunswick

Québec

Québec

Montréal

Québec

Ottawa

Ontario

North Bay

Ontario

Toronto

Ontario (2)

London

Ontario

Winnipeg

Manitoba

Saskatoon

Saskatchewan

Edmonton

Alberta

Vancouver

British Columbia

Manufacturing Plants

Bowmanville, Ontario

Industrial Products

Toronto, Ontario (2)

Tires and Tubes; Plastic Films

Saint-Hyacinthe, Québec

Fabrics

Québec, Québec

Molded and Extruded Goods;
Shoe Products

Medicine Hat, Alberta

Tires

Valleyfield, Québec

Tires

Owen Sound, Ontario

Foam Products

Collingwood, Ontario

Hose Products

Board of Directors

H. A. Brundage

Toronto

C. E. Clarke

Toronto

P. P. Daigle

Montréal

John H. Gerstenmaier

Akron

Louis A.-Lapointe, Q.C.

Montréal

H. G. MacNeill

Toronto

A. Deane Nesbitt, O.B.E., D.F.C.

Montréal

Charles J. Pilliod Jr.

Akron

Bruce M. Robertson

Akron

Officers

H. G. MacNeill

President and Chief Executive Officer

H. A. Brundage

Vice-President, Finance

C. E. Clarke

Vice-President and General Counsel

L. F. Huhta

Vice-President, Tire Production

P. G. Mackie

Vice-President, Materials Management

R. C. Markham

Vice-President, Tire Sales

J. C. Moon

Vice-President, Personnel

H. M. Wells

Vice-President, General Products

G. D. Gordon

Secretary

F. J. Kitchen

Comptroller

B. R. Telfer

Treasurer

G. E. Bennett

Assistant Comptroller

W. R. Hayward

Assistant Comptroller

New ferries that cross the St. Lawrence River at Lévis, Québec, are protected by rubber bumpers made at Québec plant.



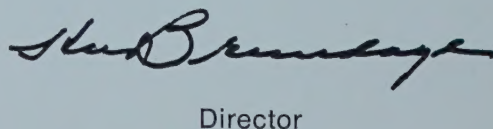
Consolidated Balance Sheet*Dollars in thousands*

	December 31	
Assets	1974	1973
Current Assets:		
Cash	\$ 2,575	\$ 1,106
Accounts receivable	55,583	45,026
Due from affiliated companies	3,838	2,515
Inventories:		
Raw materials	14,514	10,215
Work in process	6,013	4,089
Finished product	35,521	33,360
	<u>56,048</u>	<u>47,664</u>
Prepaid expenses	3,489	3,752
Total Current Assets	<u>121,533</u>	<u>100,063</u>
 Miscellaneous Investments		
at cost less allowances	<u>1,950</u>	<u>1,203</u>
 Properties and Plants:		
Land and improvements	4,167	3,111
Buildings	36,431	30,883
Machinery and equipment	106,517	104,722
Construction in progress	29,673	10,134
	<u>176,788</u>	<u>148,850</u>
Less: Depreciation	<u>92,062</u>	<u>89,008</u>
	<u>84,726</u>	<u>59,842</u>
	<u><u>\$208,209</u></u>	<u><u>\$161,108</u></u>

Approved on behalf of the Board:



Director



Director

December 31

Liabilities

	1974	1973
Current Liabilities:		
Bank indebtedness	\$ 4,599	\$ 9,016
Accounts payable and accrued liabilities	21,198	19,757
Due to affiliated companies	13,741	3,569
Income and other taxes payable	221	2,035
Dividend payable on preferred shares	50	53
Total Current Liabilities	<u>39,809</u>	<u>34,430</u>
Long Term Debt:		
Bank loans due 1976 under revolving credit agreements	69,458	38,099
Deferred Income Taxes	14,637	9,771
Deferred Income	718	764

Shareholders' Equity

Capital Stock:

4% cumulative redeemable sinking fund preferred shares (par value \$50 per share; redeemable on call at \$53 per share):		
Authorized, issued and outstanding, 1974—97,932 shares; 1973—106,045 shares	4,897	5,302
Common shares, no par value:		
Authorized, 2,906,600 shares; issued and outstanding, 2,572,600 shares	129	129
Capital Surplus	692	692
Retained Earnings	77,869	71,921
	<u>83,587</u>	<u>78,044</u>
	<u>\$208,209</u>	<u>\$161,108</u>

Consolidated Income Statement*Dollars in thousands, except per share**Year ended December 31*

	1974	1973
Net sales	\$280,926	\$239,988
Income from investments	174	96
	281,100	240,084
Deduct:		
Costs and expenses	255,568	214,124
Interest expense on long term debt	4,951	2,371
Other interest expense	604	515
Depreciation	6,010	6,078
Income taxes:		
Current	1,460	5,359
Deferred	4,806	1,754
	273,399	230,201
Net income for the year	\$ 7,701	\$ 9,883
Net income per common share	\$ 2.91	\$ 3.76

Consolidated Retained Earnings Statement*Dollars in thousands**Year ended December 31*

	1974	1973
Balance at beginning of year	\$ 71,921	\$ 63,795
Net income for the year	7,701	9,883
	79,622	73,678
Deduct:		
Dividends:		
On common shares	1,544	1,544
On 4% preferred shares	209	213
	1,753	1,757
Balance at end of year	\$ 77,869	\$ 71,921

Consolidated Statement of Changes in Financial Position

Dollars in thousands

	Year ended December 31	
	1974	1973
Source of Working Capital:		
Net income for the year	\$ 7,701	\$ 9,883
Expenses not requiring a current outlay of working capital— principally depreciation and deferred income taxes	10,830	7,554
Total from operations	18,531	17,437
Long term debt	31,359	22,674
Property disposals	331	2,255
	50,221	42,366
 Application of Working Capital:		
Expenditures for properties and plants	31,225	16,392
Dividends	1,753	1,757
Preferred shares redeemed	405	314
Investments	747	62
	34,130	18,525
Increase in working capital	\$ 16,091	\$ 23,841

Auditors' Report

To the Shareholders of The Goodyear Tire & Rubber Company of Canada, Limited:

We have examined the consolidated balance sheet of The Goodyear Tire & Rubber Company of Canada, Limited and its subsidiary companies as at December 31, 1974 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Toronto, January 24, 1975

Chartered Accountants

Notes to Consolidated Financial Statements

1. Accounting Policies

The consolidated financial statements include the accounts of the Company and all its subsidiary companies. All significant inter-company transactions are eliminated on consolidation.

Inventories of raw materials are valued at the lower of cost and replacement cost, and inventories of work in process and finished goods at the lower of standard cost (which approximates actual cost) and net realizable value.

Fixed assets are stated at cost. Depreciation is computed using the declining balance method for depreciable assets acquired up to December 31, 1967, and the straight-line method, at rates based on the estimated useful lives of the assets, for depreciable assets acquired after January 1, 1968. Gains or losses on the disposal of fixed assets are included in income and the cost and accumulated depreciation related to these assets are removed from the accounts.

The Company accounts for income taxes on the tax allocation basis which relates income taxes to the accounting income for the year. The deferral method of tax allocation is used to account for timing differences between accounting income and taxable income.

The consolidated financial statements do not purport to comply with all disclosure

requirements unique to The Companies Act of British Columbia.

2. Commitments

The Company's unfunded obligation for pension benefits arising from service prior to December 31, 1974 is estimated to be \$27,800,000. This obligation has not been provided for in the accounts. Since 1958 the Company has been funding past service obligations by the payment of annual instalments which are charged against operations and proposes to continue this practice through 1989.

Annual rentals under long-term leases (leases for a period of more than five years) amount to approximately \$1,626,000. Most of the leases may be renewed by the Company on expiry.

At December 31, 1974, the estimated cost to complete approved capital projects was \$25,000,000.

3. Remuneration to Directors and Senior Officers

In 1974, this amounted to \$405,000 (1973—\$385,000).

4. Subsequent Event

On December 30, 1974 the Company entered into an agreement to purchase for cash as of January 1, 1975 all the outstanding shares of The Kelly-Springfield Tire Company of Canada Limited at a price equal to the net book value of the tangible assets of that company which is estimated to be approximately \$4,300,000.

Comparison with prior years

Dollars in thousands, except per share

	1974	1973	1972	1971	1970
Net sales	\$280,926	\$239,988	\$210,765	\$185,361	\$175,619
Net income	7,701	9,883	9,562	7,753	3,291
Net income per dollar of sales	2.7¢	4.1¢	4.5¢	4.2¢	1.9¢
Taxes and duties	\$ 30,099	\$ 23,858	\$ 24,911	\$ 21,097	\$ 15,731
Depreciation	\$ 6,010	\$ 6,078	\$ 6,305	\$ 7,040	\$ 7,339
Capital expenditures	31,225	16,392	12,350	4,272	6,329
Properties and plants — Net	84,726	59,842	51,783	45,926	49,093
Per Share of Common Stock:					
*Net income	\$ 2.91	\$ 3.76	\$ 3.63	\$ 2.92	\$ 1.19
*Book value	30.59	28.28	25.12	22.09	19.47
*Taxes and duties	11.70	9.27	9.68	8.20	6.11
Employee compensation	\$ 74,864	\$ 78,728	\$ 68,468	\$ 56,945	\$ 56,598
*Common shares outstanding	2,572,600	2,572,600	2,572,600	2,572,600	2,572,600

* Adjusted to reflect 10 for 1 split in 1973

Goodyear People

In 1923, Goodyear in Canada graduated the first class in a unique training program. The trainees were members of the "Flying Squadron"; they were called upon to squeeze a lifetime of theory and practice in tire manufacturing into three short years, in preparation for supervisory duties.

Today, the Flying Squadron is known as the Production Squadron; for practical and technological reasons, the course has been shortened to two years.

Hundreds have graduated from this training program since 1923, and, at the moment, some 70 occupy positions of trust and responsibility in the company, including that of vice-president. During 1974, nine completed the course and 20 more were in various stages of training.

An example of the calibre of employee graduated from the Production Squadron program is Eldon Molto, winner of the Goodyear Spirit Award for Canada. An outstanding employee and citizen, Molto has served the company in a wide variety of positions including those of labor trainer in Venezuela, production superintendent at Toronto and member of a task force that conducted a three-year study on corporate systems. In his youth, he was a promising hockey player, performing at a level where many of his teammates later became professionals. He is prominent in local church work and has been president of the Toronto plant's 25-Year and Supervision clubs.

In addition to providing training programs, Goodyear supports employee athletic and recreation activities. Hockey, softball, soccer and bowling, as well as summer picnics and Christmas parties, are popular at some plants. Social events, such as bingos and dances are also part of the company's recreational programs.

Hockey is one of the most popular recreational activities among Goodyear employees.



Toronto plant's manager of training and recreation, Jack Parker, uses closed-circuit TV as teaching aid for Production Squadron classes. His students, from left: Rod Graham, Carl Dibb, Robert Hassall, Frank Belchamber, Jim Green and Terry McLean.



Goodyear Spirit Award winner Al Molto (second from right) and his brothers Delmar, Vic and Leo, also Goodyear employees.



Underground at Elliot Lake, Ontario, a scoop-tram, equipped with Goodyear tires, dumps a 10-ton load of ore into a chute at Denison Mines, one of Canada's largest uranium producers.



Nineteen seventy-four saw Goodyear breaking new ground, this time in sales, as it was awarded the first tire concession for the Québec government's multi-billion-dollar James Bay hydro-electric power development. Under a five-year contract, Goodyear will supply thousands of truck and earthmover tires.

To keep pace with consumer demand while leading in technology, Goodyear introduced four new tires to the Canadian market: the Custom Polysteel Radial, a passenger tire that combines exceptional wet traction with long mileage, ride, cornering and fuel economy; the Deluxe All Weather Belted, an economy bias-belted passenger tire; the Unisteel Radial truck tire, and the TT-1 Steelguard, a logger tire with improved traction.

Sales of truck, farm and earthmover tires were strong during 1974, but the passenger tire market failed to come up to industry expectations.

Consistent with its policy of expanding product distribution, the company appointed, among others, a dealer at Resolute Bay in the Northwest Territories. He became the first Canadian to sell and service Goodyear tires inside the Arctic Circle on a permanent basis.

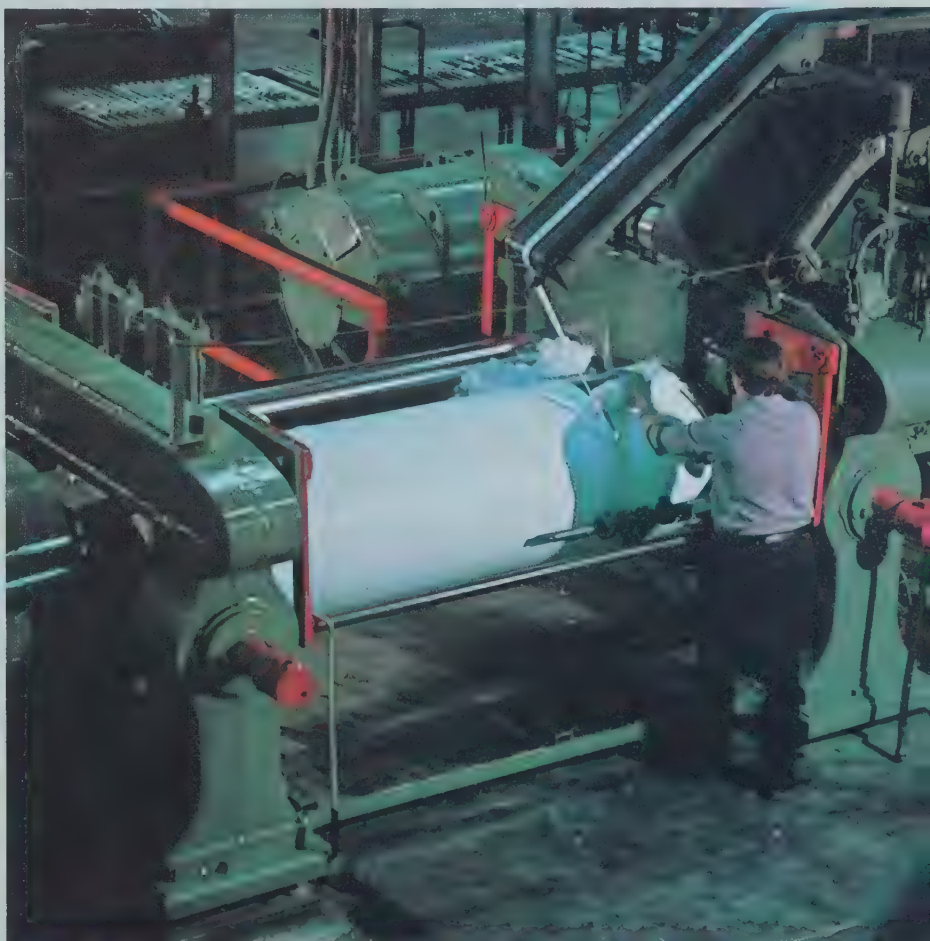
Overall tire production was curtailed by a six-month strike at Toronto and a six-week wildcat walkout at Valleyfield, but the company was able to honor its commitments by importing tires from other Goodyear plants in North America.

At Valleyfield, manufacturing of Custom Polysteel Radial tires started during the year, in spite of delays in the completion of the plant expansion. Also at Valleyfield, production of earthmover tires increased. At the Toronto plant, capacity for radial passenger, truck and farm tires was expanded.

With the adoption of improved technology and the installation of new equipment, retreading of aircraft tires took an upturn as 1974 drew to a close.



Toronto plant technician mounts steel-belted radial tire on resiliometer for performance and endurance tests.



Mill operator prepares rubber for white sidewalls at Valleyfield plant. The rubber, made white by the addition of titanium dioxide, is milled to proper consistency between steel rolls, then extruded.



Miles of Goodyear steel-cable conveyor belting move 7,500 long tons per hour of pelletized ore from enrichment plant to stockpiles at Iron Ore Company of Canada's terminal at Sept-Îles, Québec.



Goodyear Griptred coating on wings of Tutor jet at Canadian Forces Base, at Trenton, Ontario, prevents mechanic from slipping as he carries out maintenance work. Griptred is also used on stairs, ramps and concrete embankments.

General Products Division

Moderate growth and labor unrest characterized the activities of the General Products Division in 1974.

The Bowmanville industrial products plant suffered a 22-week strike but was able to satisfy most of its customers' requirements. Prior to the work stoppage, the plant had operated at full capacity and, within weeks of reaching a settlement, it was back in full production.

A three-week strike and some materials shortages did not prevent the Collingwood hose factory from increasing production and sales substantially. As 1974 drew to a close, the current major plant expansion, the second in three years, was nearing completion.

At Owen Sound, production of automotive seat cushions and padded instrument panels continued at the 1973 rate. The plant made its entry into the high-resiliency market when it started making cold-foam seat cushions for a major truck manufacturer. Production of microcellular urethane products, a small-volume line, was discontinued.

In spite of some shortages of P.V.C. resin, sales of plastic films exceeded all previous records, and Goodyear strengthened its position in the Canadian market.

At the Québec plant, production and sales of molded and extruded goods were higher than in 1973 in spite of a five-week wildcat strike. New equipment was installed to produce a variety of extruded products, including weather stripping for the automotive industry.

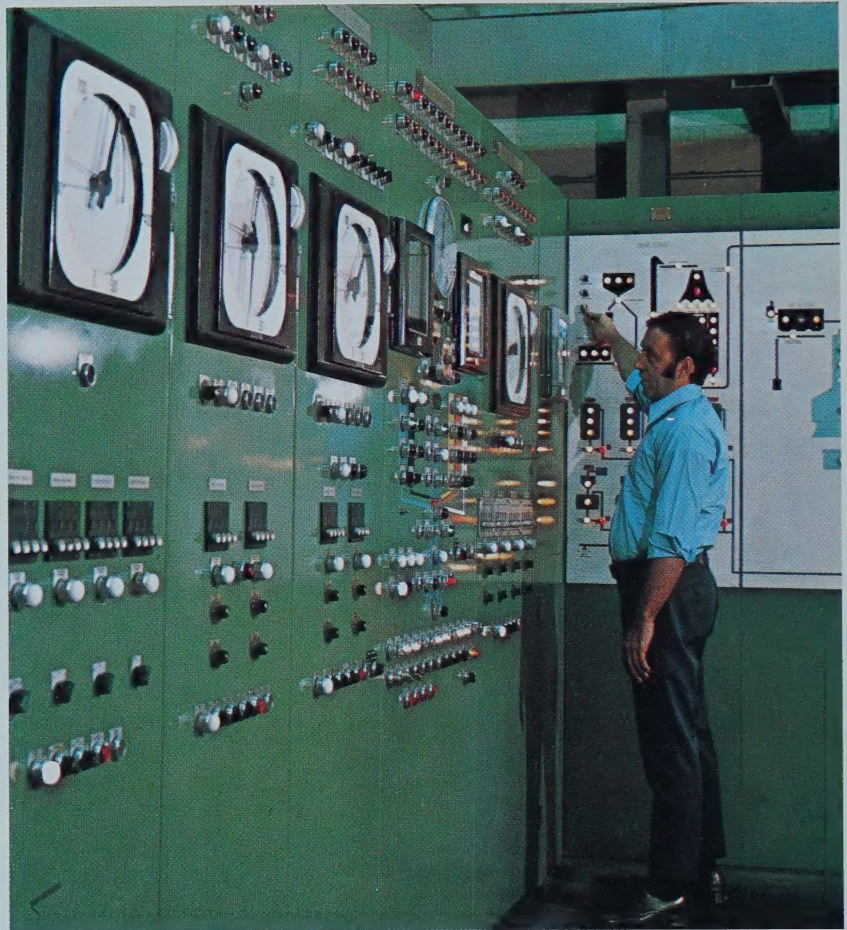


Industrial hose made at Collingwood is color-coded. For instance, Blue Arctic Flextra is designed for use at sub-zero temperatures, and the yellow E.C. hose is recommended for heavy-duty mining operations.

Goodyear Pictorial

Supervisor at Valleyfield plant activates automatic equipment that mixes rubber compounds. The electronic panel controls and monitors the mixing process.

Solid rubber tires, molded at Québec plant, help Canadians keep in shape on C.C.M.'s Slim Gym exerciser.



Lab technician at the Toronto plant measures vulcanizing accelerators into a mini-blender to mix a test batch.



Bus companies renting tires from Goodyear get technical advice on tire selection and maintenance from company experts in the field.

